

TWINNING CONTRACT

2023/447-234



EU for Further Development of Statistics System in BiH



MISSION REPORT

Activity 1.2A: Section K variables developed

Mission carried out by

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EU FOR FURTHER DEVELOPMENT OF STATISTICS SYSTEM IN BIH



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List of Abbreviations

BHAS	Agency for Statistics of Bosnia and Herzegovina
BiH	Bosnia and Herzegovina
CBBH	Central Bank of Bosnia and Herzegovina
EC	European Commission
EU	European Union
FIS	Institute for Statistics of the Federation of Bosnia and Herzegovina
MS	EU Member State
RSIS	Institute for Statistics of Republika Srpska
RTA	Resident Twinning Adviser
ToR	Terms of Reference



Executive Summary

The mission addressed key challenges in compiling Section K (Financial and Insurance industries) for structural business statistics (SBS) variables. This task poses significant challenges for all involved, including the MS, and estimation methodology is not settled in the EU. MS experts have provided an interim sheet of formulas to be used until the final methodology is established. The challenges of estimating Section K require the construction of a resource-efficient system. MS and BC experts collaborated on translating local data sources to SBS for the main Section K industries in BiH.

Recommendations prioritize deepening understanding and strengthening relationships with data providers to facilitate effective Section K compilation. The strategy involves an industry-by-industry approach to tackle data sources and estimate SBS variables for each industry.

Moving forward, BC experts will focus on developing practical experience with compiling Section K variables for the selected industries until the next mission on Section K. Future activities will prioritize practicality and consultation sessions with MS experts. The end goal of the mission is to establish a "pilot system" that complies with EBS regulations for BiH for Section K SBS data.

1. General comments

This mission report was prepared within the EU Twinning Project "Further Development of the Statistics System in Bosnia and Herzegovina". It was the first mission to be devoted to the Project Component 1 – Business Statistics, Subcomponent 1.2 - Structural Business Statistics.

The purposes of the mission were:

- Overview of available (administrative) data sources
- Method(s) to be applied for the compilation of Section K variables
- Mission report
- ToR for next activity

The consultants would like to express their thanks to all officials and individuals from Bosnia and Herzegovina met, for their kind support and valuable information, which highly facilitated the work of the consultants.

This views and observations stated in this report are those of the consultants and do not necessarily correspond to the views of EU, BHAS, FIS, RSIS, CBBH, Statistics Denmark, Statistics Finland, Statistical Office of the Republic of Slovenia or The Italian National Institute of Statistics.

2. Assessment and results

The focus of the mission was on Topic 1 of the terms of reference: Structural Business Statistics (SBS) variables for Section K, developed according to the European Business Statistics (EBS) regulation. The mission took place from the 28th to the 30th of May 2024. The first session was a follow-up to the previous mission held in December 2023 in previous Twinning. The estimation of Section K is an ongoing discussion among MS and Eurostat. *It is important to stress that the final methodological estimation rules for section K, are not yet set for in the EU.* The task is recognized as challenging for the MS. An outcome from the SBS and Business Demography working group meeting in May 2024 was a draft proposal that is expected to be implemented in the next EBS manual, subject to consultation.

The MS experts presented this discussion and concluded that the EBS and National Account domains seem to be diverging in their estimation of the economic impact of Section K, due to the different compilation methods used. This was followed by a presentation on the background of why Section K needs special attention, given its unique characteristics compared to other industries in the EBS.

The BC experts acknowledged the state of EU discussions about Section K and the need for special estimation rules. Afterwards, MS experts and BC covered all SBS variables and discussed whether: (a) they are required for Section K, (b) if so, whether they can be estimated with traditional techniques as in other SBS sections, (c) if not, whether they are difficult variables to estimate, and (d) if the value 'zero' could be reported instead. The product of the exercise was an Excel sheet that limited the scope of the mission to the variables that matter for Section K and those that are difficult to estimate: value of output, total purchases of goods and services, value added, and net turnover.

MS experts presented the data sources used for estimating Section K in Denmark. Due to enterprises in Section K being under different legal requirements than in other parts of the economy, they report economic data to regulatory agencies such as financial supervisory authorities and the central bank. The form of the reported data depends on the type of financial license held. This presents an issue, as it requires experts to handle various different data sources to compile Section K. Section K also includes units, often classified in the OFI (Other Financial Intermediators) sector, that are under the same legal obligations as units outside of Section K, so the primary data source is financial statements. This situation is not unique to Denmark, as the SBS/BD (Business Demography) data source table (from the SBS/BD working group in May) showed that other MS rely on alternative data sources to compile section K, such as data from financial supervisory authorities, rather than traditional SBS sources like VAT data, surveys, financial statements, and tax data.

The BC experts expressed a wish for the next sessions to be more practical. To facilitate this shift, an Excel sheet was produced with the estimation formulas for each industry in Section K for the difficult variables. MS experts stated that the sheet can be used as a starting point for formulas until a final document for the estimation of Section K variables is published by Eurostat. This concluded the first session.

This first session laid the groundwork for the second session, which was more practical. The MS experts presented two practical examples for industries 6419 and 6512. These industries have widely different estimation formulas for the difficult variables. The MS experts demonstrated how their data source was stored, processed, and visualized using an IT tool. The focus was to present a simple and resource-efficient system to compile a Section K industry using freely downloadable tools that could provide inspiration. The MS experts conveyed a central message, that it is more efficient to validate the data source at the SBS level and then drill down to the data source micro level if needed. There was also a presentation on industries with units that are not under financial supervision, where the MS uses electronic financial statements (XBRL) to compile Section K and how the XBRL data was translated to the EBS variables.

Thereafter, the focus shifted to local data sources. BC experts presented forms for banks and insurance companies, originally in the local language but translated to English using AI (Artificial Intelligence) tools. In consultation with MS experts, insurance and banking forms were covered in RSIS and FIS for difficult variables. Due to time constraints, not all forms were addressed. MS experts agreed to provide input on the EBS translation of forms for difficult variables, delivering them in an Excel file to the RTA.

During the session, productive discussions ensued regarding market activity and sector classification, particularly concerning special units in Section K such as regulatory agencies and the central bank, and whether they fell under ESA2010 S.12 (Section K). BC experts engaged in these discussions with MS experts, who presented their viewpoints and how these were implemented in the MS Statistical Business Registry (SBR). Additionally, there was a discussion regarding the inclusion of terms like other operating income/expenses. MS experts demonstrated that the inclusion of such terms depends on the case; while some companies classify large one-time payments under these categories, which should not be included in SBS, other units may include operating activities that they do not consider

part of their core business, but which should be included. If included, these terms need to be monitored to exclude flows that shouldn't be counted.

The final third session commenced with a presentation on the "non-difficult" EBS variables required for Section K. Specifically, MS experts elaborated on their work concerning active enterprises and how a change in definition has impacted the number of active units in Section K. A key message emphasized that traditional methods of measuring active enterprises (typically relying on employment and net turnover) have limitations in Section K, suggesting that inclusion criteria such as ownership of an active enterprise or balance sheet may improve accuracy of activity. MS experts emphasized the importance of coordinating such analyses with the Statistical Business Registry (SBR). BC experts confirmed their reliance on SBR for active enterprise data, aligning with MS practices. The remaining session time was dedicated to discussing the upcoming mission agenda and translating an additional local data source.

3. Conclusions and recommendations

This mission represents the first step within the project "Further Development of the Statistics System in Bosnia and Herzegovina" for the subcomponent 1.2 (Structural Business Statistics (SBS), activity 1.2A: Development of Section K variables.

Significant progress has been made since the previous mission where data sources were presented, as the statistical institutions have analyzed the content of data sources - annual financial statements. MS experts recommend to continuing this work and strengthening relationships with data providers, as well as engaging in consultations with them about the content of their data.

Compiling Section K variables for SBS is a challenging task for all parties, especially since the methodology is not yet finalized. In the meantime, MS experts have provided current formulas for estimating difficult variables in Section K, which can be used until Eurostat publishes the final methodology for estimating Section K in SBS.

It is crucial for the BC to continue gaining more experience in compiling SBS variables for Section K. An industry-by-industry approach has been recommended and accepted as the most productive strategy. Initially, the focus will be on the banking and insurance industries. BC counterparts have several tasks ahead, including analyzing their data sources, developing translations to SBS standards, and establishing systems to compile SBS variables for the selected industries. Other industries will be addressed at a later stage, following the completion of work on the selected industries. To support this endeavour, MS experts will provide an Excel sheet with formulas for difficult variables across all Section K industries, along with translations of local data sources to SBS. The ultimate objective of the is to help establish a pilot system capable of compiling Section K for SBS variables in BiH according to EBS regulation.

The upcoming mission will prioritize addressing the other project result: implementation of the statistical unit enterprise, outlined in the ToR, allowing time to gain practical experience before the next Section K activity. Additionally, the next mission may include a session dedicated to Section K, providing an opportunity for consultation with MS experts.

Before the next mission on "methodology for the implementation of statistical unit "enterprise" in SBS developed in line with new EBS regulation", MS experts will send a short description on how it is implemented in the MS. It is recommended to consider whether the next mission should include members from the Statistical Business Register (SBR), as the implementation of the enterprise depends on the SBR.

4. What to do before the next mission for the BC Counterpart

Action	Deadline	Responsible person
Get practical experience with estimating section K for selected industries	2 missions ahead	BC
Brief description of BC's vision for implementing the statistical unit enterprise to support draft of the agenda of the upcoming mission	Before next mission	BC



Annex 1. Terms of Reference for the current mission

Terms of Reference

EU Twinning Project BA 19 IPA ST 01 23

**Component 1 - Business Statistics
Subcomponent 1.2 – Structural Business Statistics**

Timing: 28 (at 10 a.m.)-30 May (3:30 p.m.) 2024

Venue: Agency for Statistics of BiH, Zelenih beretki 26, Sarajevo

Bosnia and Herzegovina

Activity 1.2A: Section K variables developed

Compilation of Section K variables was included in the previous Twinning Project (Further Support to the Reform of the Statistics System in BiH (2021-2023)). However, as the methodology was and still is under construction in the MS, the work in BiH was only initiated in the end of the previous Project and will be continued in this one.

1. Mandatory result

SBS variables for Section K developed according to the EBS regulation.

Methodology for the implementation of statistical unit “enterprise” in structural business statistics developed in line with new EBS regulation.

2. Purpose of the activity:

- Overview of available (administrative) data sources
- Method(s) to be applied for the compilation of Section K variables
- Mission report
- ToR for next activity

3. Expected output of the activity:

- Overview of available (administrative) data sources discussed
- Method(s) to be applied for the compilation of Section K variables discussed
- Mission report drafted
- ToR for next activity drafted

Annex 2. (input for the) Terms of Reference for the next mission

Activity 1.2B	Implementing the statistical unit “enterprise” in SBS
Budget section	III. Components Mandatory Results – Component II
Subject	<ul style="list-style-type: none"> • Work on the implementation of the statistical enterprise in SBS started • Consultation on potential Section K issues • Preparation of ToR for next activity
Methods	Onsite, STE mission in BiH
Resources	MS: To be decided based on the ToR, RTA, RTAA and LA BC: Relevant staff expected to be involved in sub component 1.2
Duration	2 MS STEs x 3 working days
Output	<ul style="list-style-type: none"> • Work on the implementation of the statistical enterprise in SBS started • Issues on Section K discussed • Mission report • ToR (including time (frame)) for next activity
Time schedule	Late November/Early December 2024, subject to confirmation

Annex 3. Persons met

BHAS:

Bojana Cicovic, Head of Department for Structural Business Statistics

Haris Buljagic, Junior Statistician, SBS Department

FIS:

Alma Colpa, Senior Advisor for SBS

RSIS:

Sladjana Nikic, Senior Statistician

Danica Babic, Senior Statistician

RTA Team:

Niels Madsen, RTA

Larisa Muslimovic, RTA Assistant

Senka Ahmetovic-Palic, Language Assistant



Signatures

For the approval of the contents of this report, representatives from BHAS, FIS and RSIS as well as MS experts and the RTA sign here:

Bojana Cicović
Component leader, BHAS

Alma Čolpa
Component leader, FIS

Sladana Nikić Danica Babić
Component leader, RSIS

Niels Modan
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MS Expert

Anton Kralj Mihelc
MS Expert



Signatures

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